

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGES

Docket No. CP2022-22

**USPS RESPONSE TO CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(December 1, 2021)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1, which was issued on November 19, 2021. Responses were due by December 1, 2021. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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December 1, 2021

## USPS RESPONSE TO CHAIRMAN'S INFORMATION REQUEST NO. 1

1. The draft Mail Classification Schedule language attached to the Notice defines USPS Connect Local as: "Line-of-travel package pickup and next day or same day delivery within a specified service area available to mailers who use specifically authorized postage payment methods and, pursuant to a customer agreement on file with the Postal Service, enter packages at a designated destination delivery unit or other equivalent facility." Notice, Attachment to Governors' Decision 21-6, § 2115.4.
  - a. Please define "Line-of-travel package pickup."
  - b. Please define "specified service area" and specify the criteria the Postal Service will use to determine if a Parcel Select package qualifies for USPS Connect Local.
  - c. Please confirm that a USPS Connect Local package must have an origin and a destination that are served by the same delivery unit.
  - d. Please describe the anticipated content of the customer agreements required to obtain USPS Connect Local service, including the anticipated degree of variation, if any, between contracts for individual customers.
  - e. Please describe the end-to-end process for the acceptance and delivery of USPS Connect Local packages.

### **RESPONSE:**

- a. Line-of-travel package pickup is defined as a carrier picking up a package during their normal course of delivery. While delivering their route, the carrier would accept a package from a customer as they are delivering mail to that customer. The carrier would not deviate from their normal route to accept packages.
- b. The specified service area is all zip codes served by the participating Post Office. Any office that is part of USPS Connect will deliver to all zip codes and delivery points served by that office. A Parcel Select package will qualify for USPS Connect Local if the customer has completed the enrollment process and uses their registered Click-N-Ship account to prepay and print a postage label either presenting to their carrier for the local office or bringing the package to the back dock of the Post Office which serves the destination address for acceptance.
- c. A USPS Connect Local package must have a destination that falls within the area served by the delivery unit accepting the package. If the customer is willing to bring

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the package to the back dock of the facility serving the destination the origin does not matter. A customer handing a package to a carrier for acceptance on their route must be within the same service area as the destination address.

- d. The customer agreement consists of the customer's assent (through an online "click-wrap" process) to terms and conditions, which are the same for every customer and do not vary. The anticipated content of the terms and conditions is as follows:
  - i. USPS Connect™ Local-Destination Delivery Unit ("DDU") Terms & Conditions – stating that the terms and conditions are an agreement between the individual or company represented and USPS.
  - ii. Program definition – providing a definition of Connect Local and how the program works.
  - iii. Modification of Terms of Use – providing that USPS has the right to change the program terms.
  - iv. Privacy of Data provided – explaining and linking to the privacy policy followed by USPS.
  - v. Payment – providing for use of Click-N-Ship account registered payment for product and describing the Click-N-Ship refund policy.
  - vi. Participation in the USPS Shipping Local Directory – allowing USPS to include shippers in a directory of participants using Connect Local at the discretion of the Postal Service. Shippers may be excluded from the directory if they contact the Postal Service and indicate they do not wish to participate.
  - vii. Intellectual Property - License Grant and Restrictions – laying out the rules of use without modification.

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- viii. Liability Disclaimer – limiting the liability of USPS.
- ix. General – stating governing law and describing the process of handling any disputes, as well as serving as acknowledgment that the shipper has read and is authorized to accept the agreement.
- e. The end-to-end process for a customer bringing the package to a participating Post Office would be as follows:
  - i. An enrolled shipper uses the Click-N-Ship application to prepay postage, print a label, and receive a tracking number for their package
  - ii. The customer then brings their prepaid, labeled packages to a designated local Postal Facility between 5:00am and 7:00am for same-day delivery, or 30 minutes before back dock closing for next-day delivery.
  - iii. A Postal Service employee accepts the package upon receipt and takes the package to be sorted to the carrier for either same day delivery if before 7:00am or for next day delivery if after 7:00am.
  - iv. The carrier sorts and takes the package on their route and delivers to the destination address scanning delivered at the destination allowing the shipper to track the delivery.
  - v. For pieces accepted by a carrier while on their route, the carrier brings the package back to the office for sortation and next day delivery by the carrier serving the destination address.

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2. Please provide projected volume, revenue, and cost data for USPS Connect Local or specify where that data can be found in the financial workpapers filed in support of the Notice.

### **RESPONSE:**

The financial workpapers do not include any projected revenue or volume for USPS Connect Local. This decision aligns with past practices of filing financial workpapers for new competitive offerings when there are few historical precedents or market data to go by.

The costs are included in the 'USPS Connect Local Unit Cost Projection' workbook. Generally, they are based on Parcel Select DDU costs, with the addition of certain cost items that are unique to Connect Local as described below:

- Extra mail processing costs to reflect the additional acceptance cost at the DDU.
- The addition of line-of-travel pickup, for which we used the Priority Mail collection cost.
- Packaging cost for the flat-rate portion.

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3. Please confirm that the submitted financial analyses for Parcel Select destination delivery unit (DDU); Priority Mail Express zones Local, 1, and 2; and Priority Mail zones Local, 1, and 2 reflect expected diversion into USPS Connect Local. If not confirmed, please provide updated financial analyses that include expected diversion.
  - a. Please specify the percentage of total FY 2020 Parcel Select volume estimated to potentially qualify as USPS Connect Local.
  - b. Please specify the percentage of total FY 2020 Parcel Select DDU volume estimated to potentially qualify as USPS Connect Local.
  - c. Please specify the percentage of total Priority Mail Express zones Local, 1, and 2 volume estimated to potentially qualify as USPS Connect Local.
  - d. Please specify the percentage of total Priority Mail zones Local, 1, and 2 volume estimated to potentially qualify as USPS Connect Local.

### **RESPONSE:**

Not confirmed. Diversion estimates at this time will be highly speculative as there are no precise historical estimates on customer behavior and reaction on a national scale. We can provide the FY 2020 volumes that could have potentially qualified as USPS Connect Local by product in the sense that the characteristics of the mailpieces would fit the characteristics of the USPS Connect Local offering. These characteristics include packages that are less than 25 pounds, are in the Local zone (intra DDU), are Commercial, and are not PMOD. However, the decision of a customer to use a product is based on many factors beyond price, and likely only a fraction of this volume would divert.

- a. The percentage of Parcel Select Ground volume that could have qualified as USPS Connect Local was 0.8 percent in FY 2020.
- b. We do not believe any Parcel Select DDU volume would divert to USPS Connect Local as the USPS Connect Local offering was intentionally priced above Parcel Select DDU prices to prevent this diversion.

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- c. We believe that volume migration from Priority Mail Express to USPS Connect Local would be negligible. Priority Mail Express customers who are looking for a lower price have previously transferred to more economical shipping options (such as Priority Mail) as those alternatives have long been available. The remaining customers are looking for value and in general are responding to non-price attributes. The availability of USPS Connect Local at an even lower price point than Priority Mail is not expected to be material to them.
- d. The percentage of Priority Mail volume that could have qualified as Connect local was 1.5 percent in FY 2020.